

FINANCE DEPARTMENT

DEPARTMENT MISSION STATEMENT:

To provide quality municipal financial services to our customers through teamwork and trust, managing and optimizing the City's financial affairs, and providing fiscal responsibility and accountability focused on the highest degree of customer service, honesty, and integrity.

The Finance Department provides high level financial advice, fiscal reporting and policy support, as well as effective financial processes and systems. These services are produced within an environment where decision making is supported by appropriate, complete, and timely financial data, promoting confidence from the Council and the public that the City's financial resources are managed with integrity and care. The Finance Department staff provide all central financial management functions including: accounting, financial reporting, cash and debt management, procurement, payroll, fixed asset reporting, budget and business planning support, portfolio management, business licenses, and cashing. Overall responsibility for management of the City's finances rests with the Finance Director/City Controller who also serves as the City Treasurer, a position appointed by the City Council. Responsibility for the Department's divisional operations are delegated to and managed by the Assistant Controller, Budget Manager, and Revenue Manager.

KEY RESULT AREAS:

Key Result Area: Investments in Our City

Goal: All existing neighborhoods have complete infrastructure by 2010.

Goal: All infrastructure rated as excellent by 2010.

Goal: All Business Park and Downtown infrastructure completed by 2009.

The Department will provide financial guidance with respect to the proper capture and capitalization of infrastructure construction and purchase costs. In addition, the Department maintains the PeopleSoft software module that records and depreciates infrastructure costs in accordance with requirements of Governmental Accounting Standards Board (GASB) 34, as needed for the completion of the City's Comprehensive Annual Financial Report (CAFR).

The Finance Director/City Controller will also continue to provide advice, support, and feasible alternatives to aid in financing new, as well as maintain existing infrastructure. The City Controller and Assistant Controller will continue to invest the approved amount of resources necessary to proactively assist with addressing requests for infrastructure information, including historical cost, current value, and depreciated cost. Finance will also assist the City in planning and budgeting for controlled maintenance costs necessary to retain infrastructure at "excellent levels."

Resources: Included in appropriation - \$75,000

Key Result Area: Fiscal Resources

Goal: To obtain the highest bond rating of all California municipalities over 250,000 in population by 2008.

The Department provides financial guidance to customers through optimal management of the City's fiscal affairs. Since credit ratings are primarily based on three indicators (reserve levels, resource diversification, and debt capacity), the Department will address each indicator by 1) providing a General Fund reserve policy recommendation that enhances the current level of five to seven percent by FY 2006 and ten percent by FY 2008; 2) continuing research and support opportunities to diversify economic resources; and 3) the Finance Director/City Controller will continue to provide advice, support, and feasible alternatives that maintain the City's moderate debt levels.

Resources: Included in appropriation - \$250,000

Goal: Secure all necessary resources to succeed in all key result areas.

The Department's values of accountability and innovation provide focus on increasing the fiscal efficiency of the City of Fresno. Specific strategies to meet this goal include 1) the staffing of the Best Practices Committee that

was formed as a result of the *Meeting the Challenge* report; 2) the development and implementation of the Citywide Grants and Collections Unit that will provide revenue enhancements; and 3) the development of an effective and efficient funding mechanism for the "No Neighborhood Left Behind" initiative.

Resources: Included in appropriation - \$200,000

Key Result Area: Employee Relations

Goal: 70 percent of the workforce refers the City to friends and family as a rewarding place of employment by June 30, 2007.

The Department will continue to create a positive environment for staff through promoting personal and professional growth through various strategies. A mentoring program will be developed matching management and staff to further build career paths. Investing in employees will continue through training opportunities such as Imagine 21, job enhancement classes, as well as interdepartmental summits. The Department will also continue to recognize employee accomplishments through both personal and public acknowledgments. This will occur through e-mail announcements, staff meeting acknowledgments, notes to personnel files, as well as through Departmental celebrations.

Resources: Within existing appropriations

Goal: 100 percent of the workforce understand their role to improve the City by June 30, 2006.

One-on-one sessions, as well as staff meetings, will be conducted to form a mutual understanding of responsibilities and expectations. Management will also continue to practice an "open door policy" to further enhance communication.

Resources: Within existing appropriations

Goal: 100 percent of the workforce has the opportunity to meet with their Director and Assistant Director in a safe, open setting semiannually by June 30, 2005.

The Department will promote multiple channels for employees to meet with all management staff through "open door policy", staff meetings, and management walk arounds.

Resources: Within existing appropriations

Key Result Area: Customer Service

Goal: 90 percent of customers choose our services if given the choice by June 30, 2006.

The Department's budget includes the implementation of a Citywide One-Call Center providing a centralized information and dispatch line, specifically addressing the customer's needs and effectively tracking the delivery of any service required as a result of the customer call. The upgrade of both the Utilities, Billings, and Collection (UB&C) system and the business tax collection system will also enhance customer service. This strategy will reduce call waiting times and increase effective business tax compliance efforts.

Resources: Included in appropriation - \$785,000

Goal: 80 percent of customers refer to our services as "best of class" by June 30, 2006.

Specific strategies include the implementation of the Citywide One-Call Center and the upgrade of the UB&C and business tax customer service systems. In addition, the Department is embarking on an upgrade to the Citywide, fully integrated, finance management system. This technological upgrade will bring the Citywide accounting process current, thereby enhancing this crucial service.

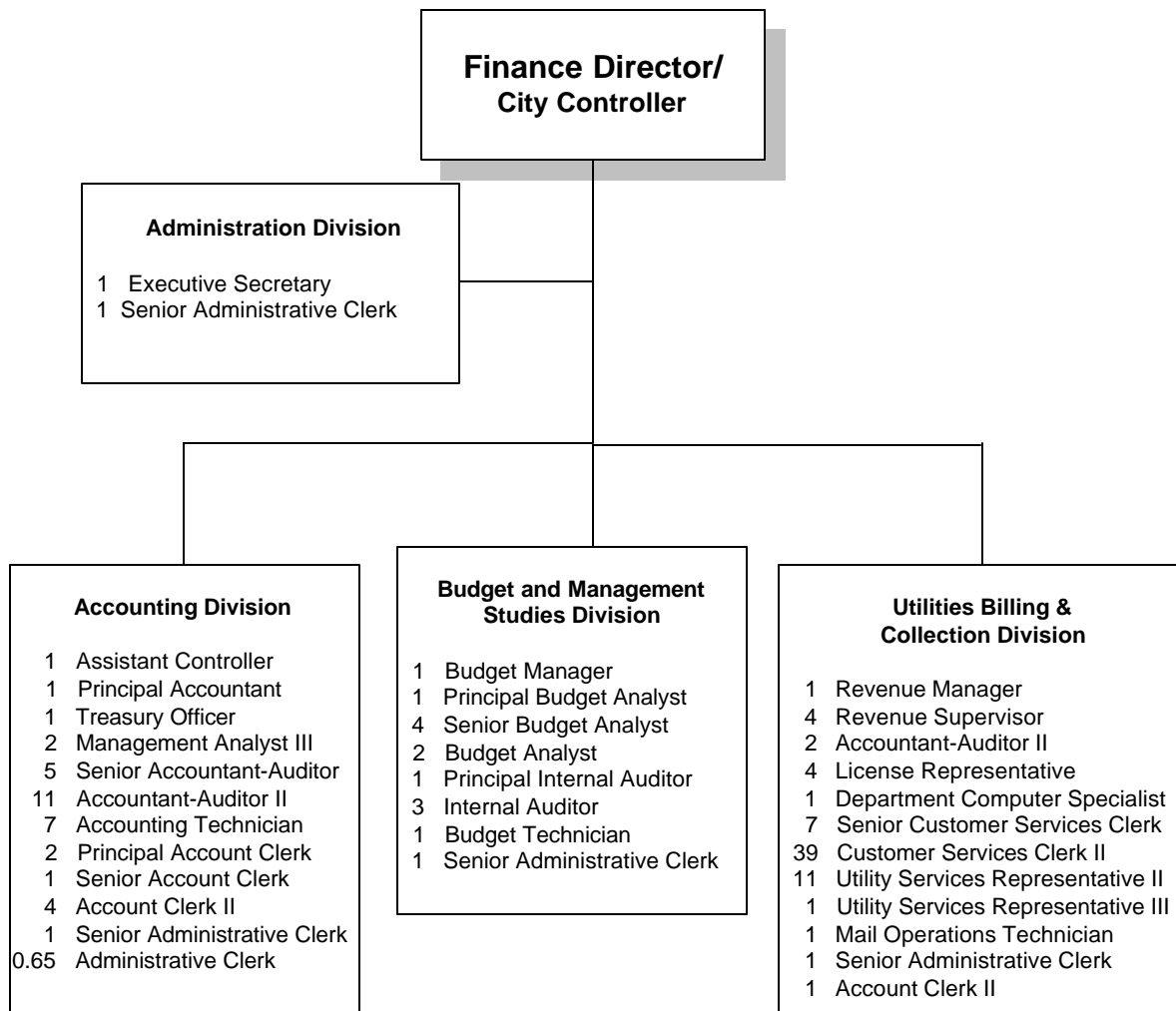
Resources: Included in appropriation - \$682,000

Goal: Customer needs assessment is conducted bi-annually by June 30, 2005.

The Department will conduct annual surveys and liaison meetings to evaluate how well the services provided match the needs of the customer. The surveys will also allow the Department to effectively utilize resources to continually enhance workflow processes.

Resources: Within existing appropriations

ORGANIZATION CHART - FY 2005



126.00 Permanent Full-Time Equivalent Positions
0.65 Permanent Part-Time Equivalent Positions
126.65 Authorized Positions

AUTHORIZED POSITIONS SUMMARY

DIVISION	FY 2003	FY 2004	FY 2005
Finance Administration Division	4.00	3.00	3.00
Accounting Division	35.65	36.65	36.65
Budget & Mgmt Studies Division	14.00	14.00	14.00
Utility Billing & Collections Division	73.00	73.00	73.00
TOTAL	126.65	126.65	126.65

CITYWIDE FIDUCIARY RESPONSIBILITIES (A)

Fund	FY 2002 Actuals	FY 2003 Actuals	FY 2004 Amended	FY 2005 Adopted
General Fund	\$ 278,420,000	\$ 208,819,800	\$ 218,841,100	\$ 225,950,900
Special Revenue Fund	5,000	26,900	0	0
Enterprise Fund	(35,500)	(23,100)	0	0
Trust Fund	54,500	(35,000)	(10,800)	0
Debt Service Fund	8,803,500	16,628,200	16,763,100	17,042,200
TOTAL	\$ 287,247,500	\$ 225,416,800	\$ 235,593,400	\$ 242,993,100

Expenditures

Tax Anticipation Notes (B)	\$ 41,321,300	\$ 38,106,900	\$ 41,100,000	\$ 45,110,000
Accounting	7,558,000	16,112,000	16,212,000	16,506,200
Downtown Bus Improve. Area 1	47,500	43,000	0	0
Citywide Contractual Obligation	10,670,300	14,422,600	14,720,100	15,119,700
	\$ 59,597,100	\$ 68,684,500	\$ 72,032,100	\$ 76,735,900

FINANCE DEPARTMENT OPERATIONS

Fund	FY 2002 Actuals	FY 2003 Actuals	FY 2004 Amended	FY 2005 Adopted
Internal Service Fund	\$ 11,429,400	\$ 11,906,500	\$ 11,761,500	\$ 11,905,500
TOTAL	\$ 11,429,400	\$ 11,906,500	\$ 11,761,500	\$ 11,905,500

Expenditures

Finance Administration Division	\$ 0	\$ 20,100	\$ 243,700	\$ 256,300
Accounting Division	3,648,800	3,497,100	3,290,600	3,533,700
Budget & Mgmt Studies Division	1,195,300	1,165,600	1,152,000	1,262,700
Utility Billing & Collections Division	4,902,000	5,151,000	5,725,500	5,929,900
TOTAL	\$ 9,746,100	\$ 9,833,800	\$ 10,411,800	\$ 10,982,600

(A) The revenue and expenditures reported here represent General Fund receipts and obligations for which the Department has the fiduciary responsibility.

(B) Tax Anticipation notes were budgeted in a Trust Fund prior to FY 2003.

BUDGET COMMENTS

Interdepartmental Charges: The Department's adopted budget for FY 2005 fully funds increases in interdepartmental (ID) charges and workers' compensation insurance.

Funding Source: The Department recovers its operational cost of business through three internal service funds. The three funds correspond to the Finance, Budget and Management Studies, and the Utility Billing and Collection operations, all of which were held to a targeted budget. The total FY 2005 budget for operations reflects a \$570,800 increase or 5.5 percent above the FY 2004 Amended Budget. The increase is primarily a result to effectively manage the growth in fiduciary and operational activities. Key resources will be addressed in the Service Impact section.

Staffing Levels: Permanent positions are budgeted in FY 2005 to stay flat in comparison to FY 2004 as well as FY 2003 levels. The Department will continue to seek opportunities in workflow efficiencies as well as enhance customer satisfaction under a lean budget.

ACCOMPLISHMENTS:**Administration Division**

- Paid off Sewer 1991 Bonds in August, 2003. The overall Citywide debt decreased by approximately \$23 million.
- Implemented the Mayor's Executive Order to convert unappropriated reserves to a General Fund Emergency Reserve.
- Issued a \$48.7 million combination revenue bond providing resources for the following capital projects:
 - ▶ Fire Station repairs and maintenance improvements
 - ▶ Downtown surface lot parking program
 - ▶ Calcot developer agreement obligation
 - ▶ Renovation to the historic Santa Fe Train Depot
 - ▶ 4-level, 1,565 space Convention Center Parking Garage
 - ▶ \$4.1 million for miscellaneous Capital projects to cover the Motor Vehicle License Fee (VLF) funding gap imposed by the State
- Developed General Fund revenue formula negotiated into the Fresno Police Officers Association (FPOA) Labor Agreement providing, for the first time, Cost of Living Adjustment (COLA) based on the General Fund revenue growth.
- Secured \$4.2 million in low-cost borrowing from California Infrastructure and Economic Development Bank for the completion of Roeding Business Park.
- Implemented "Hurricane Sacramento" contingency plans recommended by the Mayor's Council of Economic Advisors in the *Meeting the Challenge* report including:
 - ▶ FY 2003 mid-year budget cuts of two percent across the board.
 - ▶ Targeted budget levels Citywide for FY 2004 based on FY 2003 levels.
 - ▶ Implementation of comprehensive User Fee Study, generating \$4.4 million in new revenues.

Accounting Division

- Treasury successfully converted banking operations to a new Internet-based banking system.
- Completed Helicopter Financing along with eight other capital lease finances. Total principal financed in FY 2004 was over \$3.5 million at interest rates ranging between 2.41 and 4.74 percent.
- Developed boundary maps for all bonded Assessment and Mello Roos Districts using ArcView in FY 2004.

- The City's CAFR received its tenth consecutive "Certificate of Achievement for Excellence for Financial Reporting" from the Government Financial Officer's Association (GFOA).
- Payroll staff successfully implemented the web-based version 8.3 of PeopleSoft's Human Resource Management System (HRMS) computer application. Part of the implementation included adapting the system to fully meet the needs of the users and the training of all end-users of the system. Many issues had to be addressed and resolved by Payroll staff (often after hours), however, all paychecks were issued in a timely manner.
- Accounting created a centralized Grant Management/Financial Reporting Unit which committed resources toward improving grant management coordination and compliance reporting. This Unit is actively pursuing the facilitation of an integrated system for monitoring and reporting.
- Successfully implemented new State reporting software for the State Controller's Office "Annual Reports" for Citywide Departments. This streamlined the processing time of the reports by nearly two weeks.
- The Fresno City Employees Association, Inc. bargaining unit received a two percent increase in salary which required Payroll to calculate and pay retroactive checks to nearly 900 employees. Payroll was able to complete the processing and issuing of these checks with less than one week's notice.
- Payroll completed year-end processing of W-2's and related tax returns under the new software within the time frame required by the Internal Revenue Service and Employment Development Department. This is significant because the new software system (version 8.3) had only been in place one month when processing of the forms/returns was completed.
- The Accounting Section updated Administrative Order (1-2) pertaining to Petty Cash administration. The new procedures will help strengthen controls and accountability for managing the nearly \$65,000 in petty cash distributed Citywide on an annual basis.
- The Accounts Payable staff processed over 39,400 payment vouchers during the six months ended December 31, 2003. Annualized, the number of vouchers could approximate 78,800. Given the large volume, management and supervisory staff have observed that vendor complaints for late payments is virtually nil.

Budget & Management Studies Division

- Coordinated the development and publication of the City's operating, capital, and master fee budget documents. The operating budget reflected a balanced budget that provided the resources to support services which enhanced the City's safety, infrastructure, and beautification needs.
- The City's budget documents received the "Distinguished Budget Presentation Award" from the GFOA of the United States and Canada. This award is the highest form of recognition in governmental budgeting and reflects the commitment of the municipal entity and staff to meeting the highest principles of governmental budgeting.

The attainment of this prestigious award represents a significant achievement by the organization based on four nationally recognized guidelines. These guidelines measure how well the budget documents serve as 1) a policy document, 2) a financial plan, 3) an operations guide, and 4) a communications device.

- A one-day "Budget Summit" event, organized by budget staff, provided the stage to evaluate and identify areas of improvement regarding the budgeting process. The event provided the opportunity for staff to directly contribute to formalizing a plan of action, which has added value to the budget process by increasing the level of efficiency and standardization, as well as promote employee satisfaction.
- Facilitated budgetary summits for Citywide departments. These summits promoted constructive dialogue to enhance the internal service fund and capital budgeting process.

- Completed three performance audits resulting in 16 audit recommendations to management. This included the Citywide audits of property lease and rental agreements (both as lessor - 177 agreements - \$4.5 million, and as lessee - 30 agreements - \$1.08 million).
- Completed 11 followup reviews of previously conducted audits resulting in the verification of the implementation of 88 audit recommendations by management.
- Completed 10 limited scope/investigative reviews resulting in 27 audit recommendations to management.

Utilities Billing & Collection Division

- Implemented improvements in internal training, staff communication, as well as distribution of policy and procedural updates. Created reference material that is accessible for all staff as updates are posted.
- Created a method for tracking and follow-up of bilingual Spanish customer service requests.
- Improved processing of liens placed on properties where utility services had been provided but not paid.
- Implemented an internal audit process for identifying account billing errors. By taking a progressive approach, the Division reduced the number of large dollar account adjustments that often result from long running undiscovered billing errors.
- Continued to make progress on the goal of ensuring 100 percent compliance with the business tax ordinance. Staff assisted in bringing 4,970 non-compliant businesses into the program in FY 2003. A two percent increase over FY 2003's figure is expected in new-enrollees for FY 2004.

ISSUES:**Accounting Division**

- Upgrading to PeopleSoft Financials (version 8.4), including the related Citywide training, will constitute a major challenge in FY 2005. This substantial undertaking will result in reduced staff available for daily operations within the entire Finance Department. The already process-intensive environment for other section staff makes it difficult to allocate such resources, even seasonally, to the upgrade process. During this period of implementation and training, the service levels to customers may be impacted, however, any delays will be short in duration.
- The City's external auditors prepare a letter to management which presents opportunities, and in turn recommendations, for the City to strengthen and maintain effective oversight over internal controls and compliance with various municipal standards. One such finding for the FY 2002-2003 audit is the understaffing of full-time equivalents (FTEs) in the area of CAFR preparation and audit coordination. For the FY 2005 budget, Finance intends to reorganize its teams to reallocate current FTEs, however alternative/additional sources of funding will be necessary in future budget years to expand staffing levels in order to address the complexities that the GASB has added to the CAFR preparation process.
- The Department has experienced a substantial increase in overtime hours that are necessary and unavoidable to complete basic financial functions. Only as a result of innovation and teamwork has the Division been able to successfully maintain critical Citywide support needs. GASB 34 has added to this staffing issue. The Division will continue to seek new and creative ways to stream-line business processes, however it cannot reasonably be expected that ever increasing overtime hours will make up for staffing shortfalls without the addition of full-time positions in future budget years. The accuracy and reliability of financial information will eventually be compromised.
- The Accounting Division will be devoting substantial resources toward the improvement and better utilization of the PeopleSoft Projects module as it relates to capturing capital project costs and for interim usage as a module for tracking grant funding from Federal and State agencies. This Division will also be investigating the advantages of the future addition of the PeopleSoft Grant module as it may assist in expediting the City's request for more timely expenditure reimbursements.

Utilities Billing & Collection Division

- Technology improvements in both the Utility Billing Section as well as the Business Tax Section could greatly improve the operating efficiency of both areas. Delays in implementing these improvements often rest largely with the complexity of the technology, and the required interaction of multiple departments that must be coordinated to implement these improvements. The availability of staff who are qualified to work on such projects is often limited, therefore, implementation of new technology often takes a considerable period of time.
- With the passage of Assembly Bill No. 514, the State has now mandated that urban water suppliers who receive water from the Federal Central Valley Project will be required to meter and charge customers based on those usage figures. This impact to the City's meter reading program will be an increase from 30,000 to approximately 120,000 meters that must be read every 60 days. The City has until 2013 to come into compliance, however, improvements of meter reading technology will be required in order to handle the increased volume without considerable additional labor costs. Although the end result will be significantly beneficial, these improvements will take substantial time and effort to implement.
- The Division has a management team of five individuals who have a keen understanding of the issues related to improving operations. Unfortunately, these same individuals are required to spend a majority of their time resolving customer service matters. This leaves virtually no time to manage projects related to improving Division operations. As a result, efficiency improvement projects often stall for lack of key personnel to manage them.

SERVICE IMPACTS:**Accounting Division**

- **Citywide Collection Program:** Resources are included in the budget for the continuance of this pilot program. The Treasury Section is actively working to establish a Citywide Collection unit that will assist all departments in their efforts to pursue delinquent accounts and notes receivable. Through teamwork and the willingness of the City to embrace a new and innovative approach to collection issues, the end result will lead to a substantial increase in revenue that will more than pay for the program. The program started in FY 2004 and has produced the following preliminary results:

Loan Collection Results from November 1, 2003 through March 16, 2004

- ▶ As of November 1, 2003, 288 delinquent loans comprising \$14.3 million of potential write-offs have been identified.
- ▶ By March 16, 2004, 92 loans have been "revived." Of those, 17 have been paid off in full, totaling \$280,000. An additional 75 loans, with a total of \$1.4 million have been reaffirmed with at least one payment received.
- ▶ As of February 29, 2004, \$2.7 million or 177 percent revenues have been collected related to a \$1.5 million budget in HOME program loan revenue for the Housing Department.

Funding for this program will come from a fixed billing to the Planning and Development Department.

Cost: \$80,000

Utilities Billing & Collection Division

- **Software Replacement:** The FY 2005 budget includes the replacement of the HTE Occupational License tracking software. The City strives to maintain compliance of approximately 27,000 licenses of various types and classifications with the City's related business tax ordinances. However, the current system is very labor intensive and is inadequate to handle the level of activity for the size of the City.

The new software will position the Division to achieve 100 percent business compliance with City's business tax ordinances and insure that required improvements are made to maintain the equity of the City's business tax processes. It will promote revenue enhancements, potentially as high as ten percent of the existing tax base. In addition, the new software will provide a greater flexibility to data management which will allow staff time to be utilized more effectively.

Cost: \$89,300

UNMET NEEDS:

Accounting Division

- Funding the acquisition and implementation of the PeopleSoft Grant and Contract modules will result in a Citywide investment of \$515,400. The Grant module is an entirely web-based solution that manages the full life cycle of proposal generation, transitioning proposals into awards, award tracking, facilities and administration processing, comprehensive bill generation, and flexible financial reporting. It will better enable the City to successfully manage and compete for grant awards.
- The acquisition of the PeopleSoft Treasury module costs approximately \$250,000. This program will effectively manage liquidity and investment returns with a software solution for cash forecasting, reconciliation, and settlement. It is fully integrated with PeopleSoft's accounting system which assists in forecasting cash more accurately and processing transactions more efficiently. The Treasury module provides a complete solution for addressing the critical planning, processing, and reporting requirements of municipal treasury units.

